
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: TOWNSHIP TRUSTEES

FROM: DEPARTMENT OF LOCAL GOVERNMENT FINANCE

SUBJECT: BUDGET INFORMATION

DATE: JUNE 2004

The following memorandum serves as a reminder of important dates and changes with respect to the 2005 budget process. This memorandum is not inclusive of all township budget information and should be used as a guide.

JULY WORKSHOPS AND FALL BUDGET HEARINGS

The Budget Division of the Department of Local Government Finance will provide “one-on-one” budget assistance during July and August. These sessions are by appointment only. Field Representatives will be in each county for a two to three day period, depending upon the number of units. If you have not been contacted for an appointment, we encourage each fiscal officer to contact their Field Representative or County Auditor to select a time and date for their unit. In these sessions, the focus will be to check the accuracy of the completed forms, insure that the budget is properly advertised and to provide assistance in whatever capacity is desired. Units should be prepared to bring the following information:

- (1) Ledger of Receipts and Disbursements balanced to June 30
- (2) Any encumbrances brought forward from 2003 to 2004
- (3) Additional Appropriation orders approved by DLGF to June 30
- (4) Debt Service Worksheets
- (5) All amortization schedules applicable to debts incurred
- (6) Indication of debts, which are anticipated to be incurred to begin repayment in 2005, including a copy of the new debt order if received.
- (7) Indication of the necessity of excessive levy appeals and appeal forms
- (8) Any other information which may aid in the budget preparation
- (9) All budget forms – Form 1,2,3,4B and 5
- (10) Form PR 7 for poor relief must be filed with the State Board of Accounts or the 2005 budget cannot be approved.

Please fill out as much of each form as possible. At a minimum, Form 1 must be completed.

It is hopeful that the “one-on-one” sessions will eliminate any technical errors, which have occurred in the past and become a valuable learning tool for future budgets.

FALL HEARINGS

Fall budget hearings are tentatively scheduled for October 12 - October 29. The DLGF will provide the County Auditor the hearing notice, to be published, specifying the dates and times of all taxing units' budget hearings. Notices will also be mailed to each township at least two weeks in advance of the hearing. Township officials are encouraged to attend the Department hearing to address any taxpayer objections that may be heard or to comment on the budget. Budget information should be filed with the County Auditor prior to the Department hearing.

OBJECTION PERIOD BETWEEN PUBLIC HEARING AND ADOPTION DATE

A ten (10) day period established between the public hearing and the final adoption hearing allows for a taxpayer objection period. IC 6-1.1-17-5(b) reads that, "Ten (10) or more taxpayers may object to a budget, tax rate, or tax levy of a political subdivision fixed under subsection (a) by filing an objection petition with the proper officers of the political subdivision not more than seven (7) days after the hearing. The objecting petition must specifically identify the provisions of the budget, tax rate, and tax levy to which the taxpayers object." The political subdivision shall then adopt a finding with its budget that addresses the concerns referenced in the petition and any testimony presented at the hearing.

DEBT SERVICE AND CUMULATIVE FUNDS

If a township anticipates repayment of a debt or establishes a new cumulative fund for the ensuing year, the fiscal body must advertise and adopt a debt service rate and/or the cumulative fund rate as part of the budget process. Even if a township has not received final approval for a pending debt service project or new cumulative fund, the fiscal body should still advertise and adopt a debt service and/or cumulative fund levy as part of the budget process. Failure to advertise and adopt a rate and levy for the ensuing year may preclude the township from levying a tax for a new fund.

CUMULATIVE FUNDS

For 2005, cumulative fund rates will be adjusted so that a taxing unit may recoup the loss of levy due to a reduction of assessed value caused by the 100% inventory deduction or the interstate commerce exemption. Cumulative funds do not need to be re-established to get the adjustment; however, taxing units will need to advertise and adopt a rate high enough to allow the adjustment. For counties with the interstate commerce exemption, the DLGF will do a second adjustment when the inventory deduction takes effect. The inventory deduction encompasses all inventory-related assessed value whereas the interstate commerce exemption does not capture all inventory in a county. The additional adjustments will be made as counties adopt the 100% inventory deduction. The rate cap may exceed the statutory cap for the cumulative fund.

On or before August 1, the county auditor will provide assessed value information necessary to determine the cumulative fund rate adjustment. The following formula should assist taxing units in calculating the additional tax rate for the inventory deduction or interstate commerce exemption.

Step 1) Determine the total assessed value removed from the taxing units' assessed value by the inventory deduction or interstate commerce exemption.

Step 2) Multiply the Step 1 amount by the cumulative fund rate cap to arrive at the levy to be replaced.

Step 3) Divide the Step 2 amount by the (2004p2005 certified assessed value multiplied by 100) for the taxing unit to arrive at the rate necessary to raise the levy in Step 2.

Step 4) Add the rate determined in Step 4 to the cumulative fund rate cap to determine the maximum rate available for the cumulative fund.

2005 REVENUE ESTIMATES

Income Taxes

The DLGF is working with the State Budget Agency to come up with income tax estimates for taxing units to use for the 2005 budget. DLGF field representatives can provide assistance with estimating CAGIT, COIT, and EDIT distributions.

Excise

Taxing units should review past excise distributions to calculate an estimate for 2005. Taxing units should be conservative when determining an estimate for excise.

FIT

Taxing units may use the same FIT (financial institutions tax) estimate as 2004.

CVET

Taxing units may add 5% to the 2004 CVET amount to arrive at a 2005 CVET estimate.

AUDITOR'S CERTIFICATE

The County Auditor is required to provide the township trustee with estimates of:

- 1) assessed valuation for the next budget year (reflecting 100% TTV);
- 2) property and excise taxes to be distributed during the last six months of the current budget year;
- 3) current assessed valuation for the township shown on the abstract;
- 4) average growth in AV in the township over the last three (3) budget years, excluding a

reassessment year;

5) any other information at the disposal of the Auditor that might affect the assessed value the township uses in the budget process.

These estimates should be provided by August 1.

NEWSPAPER REQUIREMENTS

IC 5-3-1 specifies newspaper publication requirements. The following outlines those requirements:

"Sec. 2(a) This section applies only when notice of an event is required to be given by publication in accordance with IC 5-3-1.

(1) If a notice of budget estimates for a political subdivision is published as required in IC 6-1.1-17-3, and the published notice contains an error due to the fault of the newspaper, the notice as presented for publication is a valid notice under this chapter.

(m) Notwithstanding subsection (j), if a notice of budget estimates for a political subdivision is published as required in IC 6-1.1-17-3, and if the notice is not published at least ten (10) days before the date fixed for the public hearing on the budget estimate due to the fault of the newspaper, the notice is a valid notice under this chapter if it is published one (1) time at least three (3) days before the hearing."

Sec. 4(e) reads, "This subsection applies to notices published by officers of political subdivisions not covered by subsections (b) or (c), including township officers. If there is only one (1) newspaper published in the political subdivision, then the notice shall be published in that newspaper and if another newspapers is published in the county and circulated within the political subdivision in the other newspaper. If no newspaper is published in the political subdivision, then publication shall be made in a newspaper or newspapers published in the county and that circulate within the political subdivision."

BUDGET SCHEDULE

The following budget calendar indicates the last date on which the legal notices, public hearing, and adoption hearing must take place. In the event that your township decides to adopt before the last day possible, be very cautious that all legal notices, and the public hearings take place within appropriate time frames. Timing of this process is determined by setting a date for adoption and moving to the preceding events required. The following budget calendar will provide you the timing of each step.

Last date to file for an excessive levy appeal: **September 19, 2004 IC 6-1.1-18.5-12**

Last date for adoption: **September 20, 2004 (IC 6-1.1-17-5(a))**

Objecting petitions filed within seven (7) days of budget hearing (**IC 6-1.1-17-5(b)**)

Last date for public hearing on budget: **September 10, 2004** (**IC 6-1.1-17-5(a)**)

Last date for first publication of budget estimate, which includes the annual total appropriations, current tax levy, proposed tax levy, working maximum levy, and amount of excessive levy appeals. (At least ten days before the public hearing): **August 31, 2004** (**IC 6-1.1-17-3**)

Three days between the second publication and the public hearing: **September 7, 2004** (**IC 5-3-1-2**)

When counting days, begin counting the day after a particular event (i.e. publication of the notice) and count the day of the hearing/meeting. Failure to correctly space the notice and meeting requirements could result in disapproval of your annual budget. Townships must adopt a budget on or before September 20, 2004. If the adoption date changes, the publication dates and public hearing dates shall be changed to comply with the statute. Dates concerning the submission of budgets and salary requests have not been changed. Because the last date for adoption of a township budget is September 20, townships must submit the final budgets, rates and levies to the County Auditor within two days, or September 22.

1782 NOTICE

Upon review, the Department of Local Government Finance provides a notice specifying procedures for reductions, revisions, or increases proposed by the Department of Local Government Finance in a political subdivision's tax levy or tax rate after final assessed values are received. Political subdivision budgets will be reworked and notices mailed to those units who are affected by this change.

IC 6-1.1-17-16(d) reads, "The political subdivision has one (1) week from the date the political subdivision receives the notice to provide a written response to the Department of Local Government Finance Indianapolis office specifying how to make the required reductions in the amount budgeted for each office or department. The Department of Local Government Finance shall make reductions as specified in the political subdivision's response if the response is provided as required by this subsection and sufficiently specifies all necessary reductions."

This notice will be issued after final assessed values are determined and budgets are reviewed to ensure that they are within statutory maximums, remain within revenues available, and are correctly and properly prepared. The Department of Local Government Finance's action is after review by the Tax Adjustment Board.

Requested changes must be postmarked within the seven (7) calendar days to be considered. This deadline will be administered strictly to keep from obstructing the tax rate certification process. If your budget requires such

notice, mail requested changes to the Indianapolis office of the Department of Local Government Finance, Budget Division, IGCN, 100 N. Senate Ave., Room N1058, Indianapolis IN 46204.

BUDGET FORMS- TOWNSHIP BUDGET FORMS HAVE CHANGED FOR 2005. Forms should be available at your local printer.

Budget Form 1 - Budget Estimate

BUDGET ESTIMATE details 2005 appropriations requested and adopted by the township board. Appropriations are the authority to expend moneys from a cash fund. Appropriations are classified into four (4) major budget classifications: personal services, supplies, other services and charges, and capital outlay.

Budget Form 2 - Estimate of Miscellaneous Revenue

ESTIMATE OF MISCELLANEOUS REVENUE detailing income other than property taxes is required for each cash fund that has appropriations budgeted for 2004, and/or a tax rate and levy. For 2005 budgets, the form will reflect revenues for periods 7/1/04 to 12/31/04 (Col. A) and 01/01/05 to 12/31/05 (Col. B).

On or before August 1st, the County Auditor is required to provide the township with estimates of assessed valuation for the calculation of tax rates, as well as, estimates of property taxes to be received in the last six months of 2004. Estimated vehicle excise tax and local option income tax should be provided.

Budget Form 3 - Notice to Taxpayers of Budget Estimates and Tax Levies

NOTICE TO TAXPAYERS OF BUDGET ESTIMATES is the legal publication referred to previously in the budget schedule. It is important that the form is published in a timely fashion and that it includes the maximum budget, current tax levy, proposed tax levy, working maximum levy, and excessive levy appeals (IC 6-1.1.17-3(a)). The Department of Local Government Finance may not approve a budget or levy in excess of that published. Errors in the budget publication may be corrected on the second insertion in each newspaper to protect approval by the Department of Local Government Finance (IC 5-3-1-2 (k & l) and (IC 5-3-1-2.3). **The township is not required to publish the township's estimate of poor relief tax rate.**

Budget Form 4 - Certificate of Appropriations

CERTIFICATE OF APPROPRIATIONS is to be completed after the Township Advisory Board meets and adopts the appropriations for 2005. It is important that this form is completed and that it reflects the Board's action on the 2005 budget. This form reflects appropriations by fund. The total on this form should match the total of Form 1's by fund.

Budget Form 4B - Budget Estimate - Financial Statement

A 16-line statement should be made for every fund that has appropriations, and/or rate and levy. One of the many forms used in the budget process, Form 4-B requires the greatest scrutiny. It is designed to present a taxing unit's financial condition over an 18-month period from July 1 of the current year to December 31 of the ensuing budget year. Lines 1-17 are described as follows:

Line 1- Total budget estimate for the incoming year. This should be the same as the total of Form 1's for the particular fund and should also match the fund total on Form 4A.

Line 2- Necessary expenditures, July 1 - December 31 of present year, to be made from appropriations unexpended. To calculate your Line 2, use the following formula:

2003 encumbrances carried forward to 2004
+ 2004 approved budget
+ additional appropriations 01/01/04 through 06/30/04
Total appropriations through 06/30/04
- total disbursements for that fund 01/01/04 through 06/30/04 (not to include temporary loans or investments)
+ unappropriated disbursements 01/01/04 through 06/30/04
Appropriations in force 06/30/04 (line 2)

Line 3- Additional appropriations necessary to be made July 1 to December 31 of the present year.

Line 4a- outstanding temporary loans to be paid not included in Lines 2 or 3.

Line 4b- outstanding temporary loans not repaid by December 31 of present year.

Line 5- Total funds required (add lines 1,2,3,4a and 4b).

Line 6- Actual balance, June 30, of present year (include cash and investments).

Line 7- Property taxes to be collected, July 1 to December 31. Estimated should be provided, by the Auditor, to all units for their budgetary process by August 1.

Line 8A- Miscellaneous Revenue to be received July 1 to December 31 of present year.
Total column A, Budget Form 2.

Line 8B- Miscellaneous Revenue to be received January 1 to December 31 of incoming budget year. Total matches column B, Budget Form 2.

Line 9- Total funds available (add lines 6, 7, 8A and 8B).

Line 10- Net amount to be raised for expenses to December 31 of incoming budget year (deduct line 9 from line 5).

Line 11- Operating Balance (not in excess of expense January 1 to June 30), less miscellaneous revenue for the same period.

Line 12-17 *****APPLIES ONLY TO FUNDS WITH PROPERTY TAX LEVIES*****

Line 12- Amount to be raised by tax levy (add lines 10 and 11).

Line 13- Property tax replacement credit from adjusted gross income tax (CAGIT counties only).

Line 14- Net amount to be raised by tax levy (deduct 13 from 12).

Line 15- Levy excess fund applied to current budget (taxes collected in excess of 2003 certified levy for 2005 budget process). This is a DLGF entry.

Line 16- Net amount to be raised by tax levy (deduct line 15 from line 14).

Line 17- Tax rate on each one hundred dollars of assessed value of taxable property.

Budget Form 5- Budget Submission Letter and Certificate

This form reflects tax rates in the amount of dollars per one hundred dollars of taxable property. Form 5 **MUST** be completed and signed by the Board for approval of the township's rates. The Certificate of Tax Rates certifies the Township Board's action on the rates determined by the Trustee.

Tax Adjustment Board Rate Chart

As soon as the budgets, tax rates and tax levies are approved or modified by the tax adjustment board or county auditor, whichever is applicable, the county auditor shall prepare and publish within fifteen (15) days the notice of tax rates to be charged on each \$100 of assessed valuation for the various funds in each taxing district. The Auditor is required to notify taxpayers and the taxing units of their right to appeal within ten days of the publication of such notice.

If the Co. Auditor calculates and fixes tax rates for the various taxing units, he/she is required to send a certificate of notice of the rate(s) to each political subdivision in the county. This notice must be sent within five days of the advertised notice of tax rates.

The T.A.B. chart is to be published one time in two newspapers, if two newspapers are available. Proposed heads

and tails are attached to this memorandum and should be used for the fall advertisement. Questions regarding the advertisement should be directed to the Budget Division.

If a township trustee disagrees with the rates published by the County Auditor or Tax Adjustment Board, the Trustee must file an appeal within ten (10) days of the publication of the notice of tax rates. The legislative body of the political subdivision must authorize the filing of a statement, disagreeing with the action, by adopting a resolution. The resolution is attached to the statement of objections and signed by the highest executive fiscal officer.

NEW LEGISLATION

A separate memorandum detailing legislation has been included with this mailing.

